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AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION**COMMISSIONERS**

BOB STUMP, CHAIRMAN
GARY PIERCE
BOB BURNS
SUSAN BITTER SMITH
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JUL 11 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF MT. TIPTON WATER COMPANY,
INC. FOR A PERMANENT INCREASE IN
ITS WATER RATES AND CHARGES

DOCKET NO: W-02105A-13-0415

CLOSING BRIEF

Mt. Tipton Water Company, Inc. ("Mt. Tipton" or "Company") hereby files its
Closing Brief. The Company's final schedules are set forth in Attachment 1.

Rate Base

The Company's Original Cost Rate Base is \$946.859.00. See Attachment 1, Final
Schedule B-1. As Sonn Rowell testified, the only material difference between the
Company's and Staff's position is the amount of land included. These 115 acres were
acquired by Mt. Tipton as part of the purchase of the Dolan Springs Water Company, Inc.
As part of that WIFA financed sale approved by the Commission in Decision 64287, Mt.
Tipton obtained "115 acres of land around the spring to protect the water source, well

1 sites, and tank sites” for \$170,000. Mt. Tipton is still paying on the loan. More
2 importantly, as noted at the hearing by both the Company and Staff’s witness Dorothy
3 Hains, the spring being protected is an artesian well, which means pressure forces
4 groundwater to percolate to the surface. If wells are drilled into this artesian aquifer, then
5 the pressure will be reduced and spring flows will be reduces, and possibly eliminated.
6 Replacing this low cost water source would require the Company to drill a well, equip it
7 with casing and pumps, and pay for energy to withdraw the groundwater. The fact is that
8 maintaining the 115 acres as a preserve to ensure that the artesian aquifer pressure
9 remains adequate to supply the spring is a valuable use of property. Accordingly, all 115
10 acres should be included in rate base.
11
12
13

14 **Revenue Requirement**

15 The Company proposes a revenue requirement of \$377,292.00, which is an
16 11.10% increase over current rates. *See* Attachment 1, Final Schedule A-1. This would
17 generate an estimated \$26,103.00 in cash flow, amounting to only 6.92% of revenue.
18 Knowing the Company has 662 customers, the Company proposed revenue requirement
19 is extremely reasonable.
20
21

22 **Rate Design**

23 The Company’s rate design should be adopted. It maintains a tier structure that is
24 the same for all meter sizes. The 5/8 by 3/4 inch residential meters make up the largest
25 class of users. The 5/8 by 3/4 inch residential meter class, which is all but five
26 customers, will experience an average increase of 11.97% (without the surcharge) as
27 depicted on Rebuttal Schedule H-1. Based upon average usage of 3,657 gallons per
28

1 month, the monthly bill for these customers will increase \$4.38, from \$33.40 to \$37.79,
2 or 13.12%.

3
4 Meanwhile, Staff's rate design shifts much of the rate increase upon the five large
5 water users. Requiring the large water users to bear a disproportionate share of the rate
6 increase will cause these large water users to use less water. The consequence is that the
7 Company will receive less revenue. This is a primary reason that small water companies
8 almost always fail to meet their revenue requirement.
9

10 **Failing to Meet Revenue Requirement**

11
12 In Mt. Tipton's previous rate case, per Decision 72001, the revenue requirement
13 adopted was \$356,490, of which \$324,920 was metered water revenue. *See* Decision No.
14 72001. Mt. Tipton's metered water revenue during 2011, 2012 and 2013 was \$322,237,
15 \$310,396 and \$312,811 respectively. The Company has never met its metered water
16 revenue target since these rates have become effective. Likewise, it has never earned
17 \$356,490 in total revenue.
18

19
20 The fact that the Company has never met its revenue requirement proposed by
21 Staff and adopted by the Commission as the income needed to run the Company should
22 be a consideration in this case. As this Court is well aware, Staff's often-repeated
23 position is "if a Company is not hitting its revenue requirement, then it should come in
24 for a rate case." Well, here we are.
25

26
27 This standard Staff line indicates that Staff will help companies that have been
28 under earning. Consistent with that thought, Staff and the Commission should be helping
the Company do all that is reasonable to make sure that the revenue requirement is met

1 this time, rather than simply reapplying the same rate design philosophy that created the
2 shortfall in the first place.

3 4 **Debt Service Coverage**

5 Here, rather than helping the Company to address the shortfall error, Staff is
6 setting revenues to meet bare minimum to comply with WIFA's loan requirements.
7 Consistent with its current treatment of similarly situated water companies, Staff is using
8 WIFA's debt service coverage (DSC) ratio to set rates. WIFA loan agreements require
9 water companies to maintain a debt service coverage ratio of at least 1.20. In other
10 words, the absolute minimum the borrower should ever reach is a DSC of 1.20. The
11 reason 1.20 is WIFA's minimum is due to the fact that it requires reserve payments of
12 20% in addition to the principal and interest payments. So unless the DSC is 1.20, the
13 Company cannot make the required payments.
14
15
16

17 Staff's position at hearing is that its rates will generate a DSC of 1.26. The .06 is
18 the Company's cushion. This equates to \$1,262.00. It is unreasonable to think this is
19 enough of a cushion for a Company with 662 customers. Combine this bare minimum
20 cushion with the fact that Staff's rate designs almost never result in the revenue
21 requirement being met, it is a given that the Company will assuredly not meet the loan
22 requirements set by WIFA.
23
24

25 **Purchased Power Adjustment**

26 Staff proposes that the Company be punished for its water loss above 10%. First
27 and foremost, there is no rule that would allow for this adjustment and it is arbitrary and
28 capricious. Furthermore, it is unwarranted. The Company has taken no action to cause

1 this water loss. It is grossly underfunded and has no funding to find and repair leaks
2 systematically.

3 4 **Property Taxes**

5 Both the Company and Staff agree that a surcharge is necessary to pay the back
6 taxes. Mindful of its customers' income levels, the Company is proposing a monthly
7 surcharge that will cost the typical residential customer \$10.15 per month for 32 months
8 or until the taxes are paid. In contrast, Staff is proposing a surcharge of \$17.39 per month
9 for 18 months or until the taxes are paid.

10
11 The Company understands Staff's position that a faster payoff will mean the
12 customers will pay less interest in the long-run. This is sound economic theory. In fact,
13 in the last rate case the Company asked for additional revenue so it could pay these same
14 back taxes so it would pay less interest. At that time, Staff opposed the Company's
15 position. The Company is pleased that Staff has reconsidered its position and now agrees
16 with the Company. But Staff's pendulum has swung too far because as a practical
17 matter, Mt. Tipton's customers would be hard pressed to pay \$17.39 in addition to their
18 water use expense. For this reason, the Company is proposing a lower surcharge amount.

19
20 The other tax issue is the use of the hook-up fee account funds. Currently, the
21 Company is holding approximately \$8,000 in a reserve account. The original reason for
22 the hook-up fee revenue was to fund the connection of the distribution system to the
23 Detrital Well, which was leased from the Bureau of Land Management and is located
24 over 10 miles from the Company's system. This literally was a pipedream and current
25 management recognized this project made little sense and let the lease expire. The
26
27
28

1 Company and Staff agree that the funds currently held should be used to pay back taxes.
2 However, Staff's position is that other hook-up fee funds should not be used for this
3 purpose. The Company believes that these additional revenues, if any, should be used to
4 pay the back taxes.
5

6 **Retirements**

7
8 Staff has several inconsistencies that need to be addressed so that the Company
9 understands how its plant should be retired. Regarding the Spring Well, the Company
10 believes it should not be retired because it is still available as a backup well and will be
11 equipped when funds are available. Moreover, it is fully depreciated, so there is no
12 impact on rates. Retiring the well will simply cause an accounting issue and no benefit to
13 the customers.
14

15 **Best Management Practices**

16
17 The Company believes piling on another administrative burden will do nothing to
18 help the Company run more efficiently. Better than anyone, the Company understands it
19 has a water loss issue. More than anyone, the Company wants to resolve the issue. What
20 the Company needs is adequate funding so it can discover leaks, theft, and properly
21 document water uses that are not metered. Simply stated, the problem is not that the
22 Company does not know how to address water loss; the problem is that it does not have
23 the money or resources to address water loss.
24
25

26 ////

27 ////

28 ////

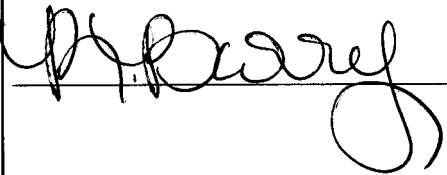
1 RESPECTFULLY SUBMITTED this 11th day of July, 2014.

2 **MOYES SELLERS & HENDRICKS LTD.**

3
4 
5 Steve Wene

6
7 Original and thirteen (13) copies
8 of the foregoing filed this
9 11th day of July, 2014 with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

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Attachment 1

CALCULATION OF INCREASE IN GROSS REVENUE REQUIREMENT

	Original Cost
1 Adjusted Rate Base	\$ 946,859
2 Adjusted Operating Income	\$ 45,851
3 Current Rate of Return	4.84%
4 Required Operating Income	\$ 87,242
5 Required Rate of Return	9.21%
6 Operating Income Deficiency (Line 4 - 2)	\$ 41,392
7 Gross Revenue Conversion Factor	1.0183
8 Increase in Gross Revenue Requirements (Line 6 x 7)	\$ 42,148
9 <i>Cash Flow calculation</i>	
10 Operating Income	\$ 87,242
11 Depreciation Expense	47,669
12 Estimated Operating Cash Available (Line 10 + 11)	\$ 134,911
13 Annual refunds of existing AIAC (Test Year Amount)	(2,749)
14 Service Line/Meter Advances per this case (\$4,450 x 10%)	(445)
15 Repayments to Hook-Up Fee Account per Staff	(5,000)
16 Annual USDA loan 1 payments	(7,848)
17 Annual USDA loan 2 payments	(7,848)
18 Annual WIFA loan 1 principal/debt service payments	(83,711)
19 Annual WIFA loan 2 principal/debt service payments	(1,208)
20 Estimated Conditional Cash Flow (Line 12+13+14+15+16)	\$ 26,103
21 Proposed Revenue	\$ 377,292
22 Conditional Cash Flow as Percent of Revenue (Line 17 / 18)	6.92%
23 <i>Operating Margin calculation</i>	
24 Operating Income	\$ 87,242
25 Proposed Revenue	\$ 377,292
26 Operating Margin (Line 21 / 22)	23.12%
27 <i>WIFA DSCR calculation</i>	
28 Proposed Operating Income plus Depreciation	\$ 134,911
29 Annual Debt Service Amount	100,615
30 Debt Service Coverage Ratio (Line 25 / 26)	1.34

	Customer Classification	Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase
31 Residential	\$	264,638	\$ 300,492	\$ 35,854	13.55%
32 Commercial		37,240	41,864	4,624	12.42%
33 Other Metered		10,933	12,603	1,670	15.28%
34 Coin Machine		16,341	16,341	-	0.00%
35 Hook Up Fees		4,450	-	(4,450)	-100.00%
36 Other Revenue		5,992	5,992	-	0.00%
37 Total	\$	339,594	\$ 377,292	\$ 37,698	11.10%

Mt. Tipton Water Company, Inc.

Final Schedule B-1

Docket No. W-02105A-13-0415

Test Year Ended June 30, 2013

SUMMARY OF ORIGINAL COST RATE BASE

	Original Cost Rate Base*
1 Gross Utility Plant in Service	\$ 2,035,729
2 Less: Accumulated Depreciation	<u>(1,050,230)</u>
3 Net Utility Plant in Service	\$ 985,499
4 Less:	
5 Advances in Aid of Construction	\$ (16,029)
6 Service Line and Meter Advances	(4,450)
7 Contributions in Aid of Construction	(347,002)
8 Customer Security Deposits	(4,285)
9 Add:	
10 Amortization of Contributions	\$ 333,126
11 Allowance for Working Capital	<u>-</u>
12 Total Rate Base	<u>\$ 946,859</u>

* Including pro forma adjustments

Supporting Schedule:
B-2

Recap Schedule:
A-1

ORIGINAL COST RATE BASE PROFORMA ADJUSTMENTS

	Actual at End Of Test Year	Pro forma Adjustment	Adjusted at End Of Test Year
1 Gross Utility Plant in Service	\$ 1,937,095	98,634 A	\$ 2,035,729
2 Less: Accumulated Depreciation	(1,147,676)	97,446 B	(1,050,230)
3 Net Utility Plant in Service	\$ 789,419	\$ 196,080	\$ 985,499
4 Less:			
5 Advances in Aid of Construction	\$ (16,029)		\$ (16,029)
6 Service Line and Meter Advances	-	\$ (4,450) C	(4,450)
7 Contributions in Aid of Construction	(347,002)		(347,002)
8 Customer Security Deposits	(4,285)		(4,285)
9 Plus:			
10 Amortization of Contributions	\$ 333,126		\$ 333,126
11 Allowance for Working Capital	-		-
12 Total Rate Base	\$ 755,229	\$ 191,630	\$ 946,859

A Per the detail on Rebuttal Schedule E-5	\$ 98,634
B Staff Accumulated Depreciation per Schedule BAB-9	\$ 1,318,860
Depreciation expense from 07/01/2009-12/31/2009	33,531
Remove 40 horsepower pump retirement	9,878
2009 retirements	(4,131)
2010 retirements	(37,996)
2011 retirements	(72,154)
2012 retirements	(197,758)
Adjusted Accumulated Depreciation at Test Year End	\$ 1,050,230
Unadjusted Accumulated Depreciation at Test Year End	1,147,676
Rate Base Adjustment B	\$ 97,446
C Adopt Staff Rate Base Adj per Revised Surrebuttal Schedule BAB-3	\$ (4,450)

ADJUSTED TEST YEAR INCOME STATEMENT INCLUDING PROPOSED REVENUE

Acct	Description	Actual for Test Year Ended 30-Jun-13		Proforma Adjustments	Test Year Results After Pro Forma Adjustments		Proposed Rate Increase	Adjusted Test Year With Rate Increase
Operating Revenues:								
1	461 Metered Water Revenue	\$ 313,207	A	\$ (396)	\$ 312,811	H	\$ 42,148	\$ 354,959
2	461.1 Coin Revenue	16,341			16,341			16,341
3	474.5 Non-Refundable Hook Up Fees	4,450	I	(4,450)	-			-
4	474 Other Water Revenue	5,992			5,992			5,992
5	Total Operating Revenue	\$ 339,990		\$ (4,846)	\$ 335,144		\$ 42,148	\$ 377,292
Operating Expenses:								
6								
7	601 Salaries & Wages	\$ 103,268			\$ 103,268			\$ 103,268
8	610 Purchased Water	-			-			-
9	615 Purchased Power	22,461			22,461			22,461
10	618 Chemicals	-			-			-
11	620 Repairs & Maintenance	15,086			15,086			15,086
12	621 Office Supplies and Expense	27,965	B	1,321	29,286			29,286
13	630 Outside Services	8,030			8,030			8,030
14	635 Water Testing	3,956			3,956			3,956
15	641 Rental Expense	500			500			500
16	650 Transportation Expense	9,336			9,336			9,336
17	657 Insurance - General Liability	10,691			10,691			10,691
18	659 Insurance - Health and Life	-			-			-
19	666 Rate Case Expense	-	C	7,000	7,000			7,000
20	675 Miscellaneous Expense	3,082			3,082			3,082
21	403 Depreciation & Amortization	125,612	D	(77,943)	47,669			47,669
22	408 Taxes Other Than Income	10,565			10,565			10,565
23	408.11 Property Taxes	13,623	E1	4,417	18,040	E2	756	18,796
24	409 Income Taxes	-			-			-
25	427.2 Customer Security Deposit Interest		F	324	324			324
26	Total Operating Expenses	\$ 354,175		\$ (64,881)	\$ 289,293		\$ 756	\$ 290,049
27	OPERATING INCOME/(LOSS)	\$ (14,185)		\$ 60,035	\$ 45,851		\$ 41,392	\$ 87,242
Other Income/(Expense):								
28								
29	419 Interest Income	\$ 34		\$ -	\$ 34		\$ -	\$ 34
30	421 Rental Income	5,721			5,721			5,721
31	421.1 Rental Expense	(3,375)			(3,375)			(3,375)
32	427 Interest Expense	(11,770)			(11,770)			(11,770)
33	430 Loss on Disposition of Equipment	(63,058)	G	63,058	-			-
34	Total Other Income/(Expense)	\$ (72,448)		\$ 63,058	\$ (9,390)		\$ -	\$ (9,390)
35	NET INCOME/(LOSS)	\$ (86,633)		\$ 123,093	\$ 36,461		\$ 41,392	\$ 77,852

INCOME STATEMENT PROFORMA ADJUSTMENTS

Adjustment	Explanation of Adjustment	Amount
A	Remove sales tax adjustments from revenue	\$ 444
	Decrease revenue for billing adjustments	(840)
	Total Adjustment A	\$ (396)
B	Reclassify QuickBooks annual fee	\$ 429
	Reclassify RVS annual software fee	892
	Total Adjustment B	\$ 1,321
C	To include recovery of estimated rate case expenses (\$35,000 amortized over 5 years).	\$ 7,000
D	Please refer to Schedule C-2a.	\$ (77,943)
E1	Please refer to Schedule C-2b.	\$ 4,417
E2	Please refer to Schedule C-2b.	756
F	Include interest paid on customer security deposits	\$ 324
G	Remove expenses related to retirement of assets - non-recurring.	\$ 63,058
H	Increase Metered Water Revenue to meet the proposed revenue requirement per calculation on Schedule A-1.	\$ 42,148
I	Adopt Staff Rate Base Adj per Revised Surrebuttal Schedule BAB-3	\$ (4,450)

Supporting Schedules:
C-2a and C-2b

Recap Schedule:
C-1

DETAIL OF DEPRECIATION EXPENSE ADJUSTMENT D

Acct No.	Description	Depreciation Rate	Plant Amount	Proposed Depr Exp
301	Organization	0.00%	\$ 17,450	\$ -
302	Franchises	0.00%	500	-
303	Land & Land Rights	0.00%	179,842	-
304	Structures & Improvements	3.33%	70,621	2,352
307	Wells & Springs	3.33%	348,390	11,601
310	Power Generation Equipment	5.00%	27,400	1,370
311	Pumping Equipment	12.50%	128,541	16,068
320	Water Treatment Equipment	0.00%	-	-
320.1	Water Treatment Plants	3.33%	-	-
320.2	Solution Chemical Feeders	20.00%	-	-
330	Distribution Reservoirs & Standpipes	0.00%	-	-
330.1	Storage Tanks	2.22%	223,341	4,958
330.2	Pressure Tanks.	5.00%	-	-
331	Transmission & Distribution Mains	2.00%	799,500	15,990
333	Services	3.33%	59,750	1,990
334	Meters & Meter Installations ¹	8.33%	130,798	5,098
335	Hydrants	2.00%	1,230	25
339	Other Plant and Misc Equipment	6.67%	1,880	125
340	Office Furniture & Equipment ²	6.67%	18,094	42
340.1	Computers and Software ³	20.00%	5,686	-
341	Transportation Equipment ³	20.00%	11,592	-
343	Tools, Shop, and Garage Equipment	5.00%	1,274	64
345	Power Operated Equipment ³	5.00%	167	-
347	Miscellaneous Equipment ³	10.00%	8,464	-
348	Other Tangible Plant ³	10.00%	1,208	-
Totals			\$ 2,035,729	\$ 59,684

CIAC Amortization \$ (12,015)

Proposed Depreciation Expense \$ 47,669

Test Year Depreciation Expense 125,612

Adjustment D to Depreciation Expense \$ (77,943)

Depreciation Expense \$ 59,684

Depreciable Plant 1,723,762

Composite CIAC Amortization Rate 3.46%

CIAC \$ 347,002

CIAC Amortization \$ 12,015

¹ \$69,595 of the balance in this account is fully depreciated.

² \$17,463 of the balance in this account is fully depreciated.

³ The total amount in these accounts is fully depreciated.

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS E1 AND E2

<u>Line</u>		<u>Test Year as Adjusted</u>	<u>Company at Proposed Rates</u>
1	Adjusted Test Year Revenue	\$ 335,144	\$ 335,144
2	Weight Factor	2	2
3	Subtotal	\$ 670,289	\$ 670,289
4	Company Recommended Base Revenue	335,144	377,292
5	Subtotal	\$ 1,005,433	\$ 1,047,581
6	Number of Years	3	3
7	Three Year Revenue Average	\$ 335,144	\$ 349,194
8	AZ Department of Revenue Multiplier	2	2
9	Revenue Base Value	\$ 670,289	\$ 698,388
10	Plus 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value	\$ 670,289	\$ 698,388
13	Assessment Ratio	19.50%	19.50%
14	Assessment Value	\$ 130,706	\$ 136,186
15	Composite Property Tax Rate *	13.8017%	13.8017%
16	Adjusted Test Year Property Tax Expense	\$ 18,040	
17	Actual Test Year Property Tax Expense	13,623	
18	Total Adjustment E1	\$ 4,417	
19		Projected Property Tax Expense	\$ 18,796
20		Adjusted Test Year Property Tax Expense	18,040
21		Total Adjustment E2	\$ 756
22	<i>* Property tax composite rate calculation:</i>		
23	Assessed Value per 2013 Property Tax Notices	\$ 119,940	
24	Property Tax due per 2013 Notices	16,554	
25	Composite Property Tax Rate	13.8017%	
26	<i>For Gross Revenue Conversion Factor:</i>		
27	Change in Property Tax Expense	\$ 756	
28	Change in Revenue Requirement	42,148	
29	Change in Property Tax per Dollar Increase in Revenue	1.7942%	

COMPUTATION OF GROSS REVENUE CONVERSION FACTOR

Description		Percentage of Incremental Gross Revenues
1	Revenues	1.00
2	Property Taxes	1.794% <u>(0.0179)</u>
3	Arizona Taxable Income	0.9821
4	Arizona Income Tax	<u>-</u>
5	Federal Taxable Income	0.9821
6	Federal Income Tax	<u>-</u>
7	Operating Income	0.9821
8	Gross Revenue Conversion Factor (Line 1 / Line 7)	1.0183

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:
A-1

Mt. Tipton Water Company, Inc.

Docket No. W-02105A-13-0415

Test Year Ended June 30, 2013

Final Schedule D-1

SUMMARY COST OF CAPITAL

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate	Composite Cost %	Amount	%	Cost Rate	Composite Cost %
Long-Term Debt	\$ 581,695	78.84%	4.39%	3.46%	\$ 581,695	78.84%	4.39%	3.46%
Short-Term Debt	-	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%
Common Equity	156,080	21.16%	27.20%	5.76%	156,080	21.16%	27.20%	5.76%
Total	<u>\$ 737,775</u>			<u>9.21%</u>	<u>\$ 737,775</u>			<u>9.21%</u>

DETAIL OF UTILITY PLANT

Account Number	Description	Actual Test Year End at 30-Jun-13	Adjustments	Ref	Adjusted Test Year End at 30-Jun-13
301	Organization	\$ 17,450			\$ 17,450
302	Franchises	500			500
303	Land & Land Rights	9,842	170,000	1	179,842
304	Structures & Improvements	70,621			70,621
307	Wells & Springs	407,673	(59,283)	2 & 4	348,390
310	Power Generation Equipment	-	27,400	3	27,400
311	Pumping Equipment	113,628	14,913	4	128,541
320	Water Treatment Equipment	-			-
320.1	Water Treatment Plants	-			-
320.2	Solution Chemical Feeders	53,075	(53,075)	5	-
330	Distribution Reservoirs & Standpipes	-			-
330.1	Storage Tanks	223,341			223,341
330.2	Pressure Tanks.	-			-
331	Transmission & Distribution Mains	799,500			799,500
333	Services	59,750			59,750
334	Meters & Meter Installations	130,798			130,798
335	Hydrants	1,230			1,230
339	Other Plant and Misc Equipment	1,880			1,880
340	Office Furniture & Equipment	18,094			18,094
340.1	Computers and Software	7,007	(1,321)	6	5,686
341	Transportation Equipment	11,592			11,592
343	Tools, Shop, and Garage Equipment	1,274			1,274
345	Power Operated Equipment	167			167
347	Miscellaneous Equipment	8,464			8,464
348	Other Tangible Plant	1,208			1,208
	Total Plant In Service	\$ 1,937,095	\$ 98,634		\$ 2,035,729

Ref		Acct	Amt
1	Adoption of land value from Dolan Springs system per Attachment 1	303	\$ 170,000
2	Adoption of Staff Rate Base Adjustment 1 for retirement of the Church and Spring wells	Wells 307	\$ (44,370)
3	Adoption of Staff Rate Base Adjustment 2 for a generator	Power Gen Equip 310	\$ 27,400
4	Adoption of Staff Rate Base Adjustment 3 - reclassification	Wells 307	\$ (14,913)
	Adoption of Staff Rate Base Adjustment 3 - reclassification	Pumping 311	14,913
5	Adoption of Staff Rate Base Adjustment 4 - retirement	Chemical Feeder 320.2	\$ (53,075)
6	Company Rate Base Adjustment 1/Staff Rate Base Adj 5	reclassification 340.1	\$ (1,321)

PROJECTED INCOME STATEMENTS - PRESENT AND PROPOSED RATES

	Projected Year		
	Actual	At Present	At Proposed
	Test Year	Rates	Rates
	Ended	Year Ended	Year Ended
	30-Jun-13	30-Jun-13	30-Jun-13
Operating Revenues:			
461 Metered Water Revenue	\$ 313,207	\$ 312,811	\$ 354,959
461.1 Coin Revenue	16,341	16,341	16,341
474.5 Non-Refundable Hook Up Fees	4,450	-	-
474 Other Water Revenue	5,992	5,992	5,992
Total Operating Revenue	\$ 339,990	\$ 335,144	\$ 377,292
Operating Expenses:			
601 Salaries & Wages	\$ 103,268	\$ 103,268	\$ 103,268
610 Purchased Water	-	-	-
615 Purchased Power	22,461	22,461	22,461
618 Chemicals	-	-	-
620 Repairs & Maintenance	15,086	15,086	15,086
621 Office Supplies and Expense	27,965	29,286	29,286
630 Outside Services	8,030	8,030	8,030
635 Water Testing	3,956	3,956	3,956
641 Rental Expense	500	500	500
650 Transportation Expense	9,336	9,336	9,336
657 Insurance - General Liability	10,691	10,691	10,691
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	7,000	7,000
675 Miscellaneous Expense	3,082	3,082	3,082
403 Depreciation & Amortization	125,612	47,669	47,669
408 Taxes Other Than Income	10,565	10,565	10,565
408.11 Property Taxes	13,623	18,040	18,796
409 Income Taxes	-	-	-
427 Customer Security Deposits	-	324	324
Total Operating Expenses	\$ 354,175	\$ 289,293	\$ 290,049
OPERATING INCOME/(LOSS)	\$ (14,185)	\$ 45,851	\$ 87,242
Other Income/(Expense):			
419 Interest Income	\$ 34	\$ 34	\$ 34
421 Rental Income	5,721	5,721	5,721
421.1 Rental Expense	(3,375)	(3,375)	(3,375)
427 Interest Expense	(11,770)	(11,770)	(11,770)
430 Loss on Disposition of Equipment	(63,058)	-	-
Total Other Income/(Expense)	\$ (72,448)	\$ (9,390)	\$ (9,390)
NET INCOME/(LOSS)	\$ (86,633)	\$ 36,461	\$ 77,852

Mount Tipton Water Company, Inc.
Docket No. W-02105A-13-0415
Test Year Ended June 30, 2013

Final Schedule H-1

**SUMMARY OF REVENUES BY CUSTOMER CLASSIFICATION
PRESENT AND PROPOSED RATES**

Customer Classification	Revenues in the Test Year		Proposed Increase	
	Present Rates	Proposed Rates	Amount	%
<u>Residential</u>				
5/8 x 3/4 inch	\$ 263,423	\$ 299,117	\$ 35,694	13.55%
1 inch	1,215	1,375	160	13.16%
Total Residential Revenue	\$ 264,638	\$ 300,492	\$ 35,854	13.55%
<u>Commercial</u>				
5/8 x 3/4 inch	\$ 21,929	\$ 24,988	\$ 3,059	13.95%
1 inch	1,216	1,398	182	14.98%
1.5 inch	1,222	1,371	149	12.20%
2 inch	6,198	6,907	709	11.44%
4 inch	6,675	7,200	525	7.87%
Total Commercial Revenue	\$ 37,240	\$ 41,864	\$ 4,624	12.42%
<u>Other</u>				
Bulk	\$ 10,546	\$ 12,195	\$ 1,649	15.64%
Sprinkler	120	120	-	0.00%
Fire Department Non-Potable	267	288	21	7.87%
Total Other Metered Revenue	\$ 10,933	\$ 12,603	\$ 1,670	15.28%
Total Metered Water Revenues	\$ 312,811	\$ 354,959	\$ 42,148	13.47%
Coin Machine	\$ 16,341	\$ 16,341	\$ -	0.00%
Non Refundable Hook Up Fees	4,450	-	(4,450)	-100.00%
Other Water Revenues	5,992	5,992	-	0.00%
Total Revenues	\$ 339,594	\$ 377,292	\$ 37,698	11.10%

CHANGES IN REPRESENTATIVE RATE SCHEDULES

(Note: Rates apply to both residential and commercial usage)

Description	Present Rate	Proposed Rate	% change
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$ 22.25	\$ 24.00	7.87%
3/4" Meter	33.38	36.00	7.85%
1" Meter	55.63	60.00	7.86%
1-1/2" Meter	111.25	120.00	7.87%
2" Meter	178.00	192.00	7.87%
3" Meter	356.00	384.00	7.87%
4" Meter	556.25	600.00	7.87%
6" Meter	1,112.50	1,200.00	7.87%
8" Meter	1,780.00	1,800.00	1.12%

Commodity Rates (Per 1,000 Gallons):

All Meter Sizes

0 - 4,000 Gallons	\$ 3.05
4,001 to 9,000 Gallons	4.60
Over 9,000 Gallons	5.50

All Meter Sizes

0 - 3,000 Gallons	\$ 3.50	14.75%
3,001 to 8,000 Gallons	5.50	19.57%
Over 8,000 Gallons	6.36	15.64%

Other Charges	Present Rate	Proposed Rate	% change
Bulk Sales per 1,000 Gallons ≈	\$ 5.50	\$ 6.36	15.64%
Vending rate for 40 Gallons ≈	\$ 0.25	\$ 0.25	0.00%

Monthly Property Tax Surcharge:

	Company Proposed
5/8" x 3/4" Meter	\$ 10.15
3/4" Meter	15.23
1" Meter	25.38
1-1/2" Meter	50.75
2" Meter	81.20
3" Meter	152.25
4" Meter	253.75
6" Meter	507.50

CHANGES IN REPRESENTATIVE RATE SCHEDULES (CONTINUED)

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable Pursuant to AAC R14-2-405)

Description	Present Rate			Proposed Rate	% change
	Service Line	Meter Charge	Total Charge		
5/8" x 3/4" Meter	\$ 445.00	\$ 155.00	\$ 600.00	No change	0.00%
3/4" Meter	445.00	255.00	700.00	No change	0.00%
1" Meter	495.00	315.00	810.00	No change	0.00%
1-1/2" Meter	550.00	525.00	1,075.00	No change	0.00%
2" Meter - Turbine	830.00	1,045.00	1,875.00	No change	0.00%
2" Meter - Compound	830.00	1,890.00	2,720.00	No change	0.00%
3" Meter - Turbine	1,045.00	1,670.00	2,715.00	No change	0.00%
3" Meter - Compound	1,165.00	2,545.00	3,710.00	No change	0.00%
4" Meter - Turbine	1,490.00	2,670.00	4,160.00	No change	0.00%
4" Meter - Compound	1,670.00	3,645.00	5,315.00	No change	0.00%
6" Meter - Turbine	2,210.00	5,025.00	7,235.00	No change	0.00%
6" Meter - Compound	2,330.00	6,920.00	9,250.00	No change	0.00%
8" Meter - Turbine	3,000.00	7,500.00	10,500.00	No change	0.00%
8" Meter - Compound	3,200.00	8,000.00	11,200.00	No change	0.00%

SERVICE CHARGES:

	Present Rate	Proposed Rate	% change
Establishment	\$ 25.00	\$ 30.00	20.00%
Establishment (After Hours)	40.00	N/A	
Reconnection (Delinquent)	40.00	40.00	0.00%
Reconnection (After Hours)	40.00	N/A	
Meter Test (If Correct)	40.00	40.00	0.00%
NSF Check	25.00	25.00	0.00%
Meter Reread (If Correct)	15.00	15.00	0.00%
Deposit	*	*	
Deposit Interest (Per month)	**	**	
Deferred Payment (Per Month)	***	***	
Late Charge (Per Month)	***	***	
Re-establishment (Within 12 Months)	****	****	
Main Extension	Cost	N/A	
After Hours Service Charge	\$ -	\$ 50.00	
<u>Monthly Service Charge for Fire Sprinkler</u>			
All Sizes	*****	*****	

* Per Commission Rule A.A.C. R-14-2-403(B)(7).

** Per Commission Rule A.A.C. R-14-2-403(B)(3).

*** 1.50% of unpaid monthly balance.

**** Month off system times the monthly minimum A.A.C. R14-2-403(D).

***** 2% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$10.00 per month. The Service Charge for Fire Sprinklers is only applicable to service lines separate and distinct from the primary water service line.

TYPICAL BILL ANALYSIS (Without Surcharge)

5/8" x 3/4" meter - residential and commercial

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 22.25	\$ 24.00	7.87%
1,000	25.30	27.50	8.70%
2,000	28.35	31.00	9.35%
3,000	31.40	34.50	9.87%
4,000	34.45	40.00	16.11%
5,000	39.05	45.50	16.52%
6,000	43.65	51.00	16.84%
7,000	48.25	56.50	17.10%
8,000	52.85	62.00	17.31%
9,000	57.45	68.36	18.99%
10,000	62.95	74.72	18.70%
15,000	90.45	106.52	17.77%
20,000	117.95	138.32	17.27%
25,000	145.45	170.12	16.96%
50,000	282.95	329.12	16.32%
75,000	420.45	488.12	16.09%
100,000	557.95	647.12	15.98%
125,000	695.45	806.12	15.91%
150,000	832.95	965.12	15.87%
175,000	970.45	1,124.12	15.83%
200,000	1,107.95	1,283.12	15.81%

TYPICAL BILL ANALYSIS (With Surcharge)

5/8" x 3/4" meter - residential and commercial

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	\$ 22.25	\$ 34.15	53.48%
1,000	25.30	37.65	48.81%
2,000	28.35	41.15	45.15%
3,000	31.40	44.65	42.20%
4,000	34.45	50.15	45.57%
5,000	39.05	55.65	42.51%
6,000	43.65	61.15	40.09%
7,000	48.25	66.65	38.13%
8,000	52.85	72.15	36.52%
9,000	57.45	78.51	36.66%
10,000	62.95	84.87	34.82%
15,000	90.45	116.67	28.99%
20,000	117.95	148.47	25.88%
25,000	145.45	180.27	23.94%
50,000	282.95	339.27	19.90%
75,000	420.45	498.27	18.51%
100,000	557.95	657.27	17.80%
125,000	695.45	816.27	17.37%
150,000	832.95	975.27	17.09%
175,000	970.45	1,134.27	16.88%
200,000	1,107.95	1,293.27	16.73%

DETAIL OF PROPERTY TAX SURCHARGE CALCULATION

- | | | |
|---|--|-------------|
| 1 | New rates effective October 1, 2014 with collections beginning | November-14 |
| 2 | Plus collection period in months | 32 |
| 3 | Projected end of surcharge collection | June-17 |

4 Proof of Surcharge Revenue:

5	Meter Size	NARUC Multiplier	Monthly Surcharge by Meter Size	Customers	Monthly Surcharge Revenue
6	5/8" x 3/4" meter	1	\$ 10.15	657	\$ 6,669
7	3/4" meter	2	15.23	0	-
8	1" meter	3	25.38	1	25
9	1 1/2" meter	5	50.75	1	51
10	2" meter	8	81.20	2	162
11	3" meter	15	152.25	0	-
12	4" meter	25	253.75	1	254
13	6" meter	50	507.50	0	-
14	Total Monthly Surcharge Revenue				\$ 7,161
15	Assessment period in Months				32
16	Collected Over Assessment Period				<u>\$ 229,146</u>

17 Proof Surcharge Revenue Will Meet Property Tax Payment Obligations:

18	Balance as of June 2014	\$ 200,193	
19	Additional Interest 2004 Lien	3,526	Jul 2015 projected payoff
20	Additional Interest 2005 Lien	1,348	Jul 2015 projected payoff
21	Additional Interest 2006 Lien	4,923	Jan 2016 projected payoff
22	Additional Interest 2007 Lien	6,655	Jul 2016 projected payoff
23	Additional Interest 2008 Lien	7,472	Jan 2017 projected payoff
24	Additional Interest 2009 Lien	8,599	Jun 2017 projected payoff
25	Total Projected to be Paid	<u>\$ 232,716</u>	
26	Property Tax resulting from Surcharge ¹	4,111	
27	Collected Over Assessment Period	(229,146)	
28	Hook Up Fees	(8,100)	
29	Remainder	<u>\$ (419)</u>	

30 ¹ \$4,111 = \$229,146 times GRCF for property taxes of 1.7942%

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Final Supplemental Schedule 2

Lien Year	Annual Interest Rate	Original Lien Amount	Interest to 09-Oct-13	Balance Due 09-Oct-13	Nov-13 Interest	Dec-13 Interest	Balance Due 31-Dec-13	Balance Due 30-Jun-14
2004	16.00%	\$ 20,342.66	\$ 25,254.90	\$ 45,597.56	\$ 271.24	\$ 271.24	\$ 46,140.04	\$ 47,767.48
2005	16.00%	7,777.27	8,503.15	16,280.42	103.70	103.70	16,487.82	17,110.02
2006	16.00%	19,431.43	17,901.92	37,333.35	259.09	259.09	37,851.53	39,406.07
2007	16.00%	19,965.05	15,198.44	35,163.49	266.20	266.20	35,695.89	37,293.09
2008	16.00%	18,077.76	10,871.66	28,949.42	241.04	241.04	29,431.50	30,877.74
2009	16.00%	17,914.98	7,912.59	25,827.57	238.87	238.87	26,305.31	27,738.53
Totals		\$ 103,509.15	\$ 85,642.66	\$ 189,151.81	\$ 1,380.14	\$ 1,380.14	\$ 191,912.09	\$ 200,192.93

Surcharge Balance

\$ -

Assumptions:

- 1 - Company preferred surcharge amount is \$10.15 for a 5/8" x 3/4" meter, and is expected to generate \$7,161 per month.
- 2 - Surcharge is estimated to begin in October of 2014 with first collections in November of 2014.
- 3 - Surcharge is predicted to cease in May of 2017 with final collection and payment in June 2017. (32 months)
- 4 - Surcharge account balance of \$22,422 at 12/31/14 is \$8,100 of hook up fees plus 2 months of surcharge collection.
- 5 - Surcharge collections will accrue in bank account until the balance of a lien has accumulated, then will be paid in full.
- 6 - The 2004 and 2005 liens are owned by the same people and must be paid in full together.

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Lien Year	Balance Due 31-Dec-14	Balance Due 31-Jan-15	Balance Due 28-Feb-15	Balance Due 31-Mar-15	Balance Due 30-Apr-15	Balance Due 31-May-15
2004	\$ 49,394.92	\$ 49,666.16	\$ 49,937.39	\$ 50,208.63	\$ 50,479.86	\$ 50,751.10
2005	17,732.22	17,835.92	17,939.61	18,043.31	18,147.01	18,250.70
2006	40,960.61	41,219.70	41,478.78	41,737.87	41,996.95	42,256.04
2007	38,890.29	39,156.49	39,422.69	39,688.89	39,955.09	40,221.29
2008	32,323.98	32,565.02	32,806.05	33,047.09	33,288.13	33,529.16
2009	29,171.75	29,410.62	29,649.48	29,888.35	30,127.22	30,366.08
Totals	\$ 208,473.77	\$ 209,853.89	\$ 211,234.01	\$ 212,614.14	\$ 213,994.26	\$ 215,374.38

Surcharge Balance \$ 22,422.00 \$ 29,583.00 \$ 36,744.00 \$ 43,905.00 \$ 51,066.00 \$ 58,227.00

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Final Supplemental Schedule 2

Lien Year	Balance Due 30-Jun-15	Balance Due 31-Jul-15	Payment 1	Balance Due 31-Aug-15	Balance Due 30-Sep-15	Balance Due 31-Oct-15	Balance Due 30-Nov-15	Balance Due 31-Dec-15
2004	\$ 51,022.33	\$ 51,293.57	\$ (51,293.57)	\$ (0.00)	\$ -	\$ -	\$ -	\$ -
2005	18,354.40	18,458.10	(18,458.10)	(0.00)	-	-	-	-
2006	42,515.12	42,774.21		43,033.30	43,292.38	43,551.47	43,810.55	44,069.64
2007	40,487.49	40,753.69		41,019.90	41,286.10	41,552.30	41,818.50	42,084.70
2008	33,770.20	34,011.24		34,252.27	34,493.31	34,734.35	34,975.38	35,216.42
2009	30,604.95	30,843.81		31,082.68	31,321.55	31,560.41	31,799.28	32,038.15
Totals	\$ 216,754.50	\$ 218,134.62		\$ 149,388.14	\$ 150,393.34	\$ 151,398.53	\$ 152,403.72	\$ 153,408.91

Surcharge Balance \$ 65,388.00 \$ 72,549.00 \$ (69,751.67) \$ 9,958.33 \$ 17,119.33 \$ 24,280.33 \$ 31,441.33 \$ 38,602.33

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Final Supplemental Schedule 2

Lien Year	Balance Due 31-Jan-16	Payment 2	Balance Due 29-Feb-16	Balance Due 31-Mar-16	Balance Due 30-Apr-16	Balance Due 31-May-16	Balance Due 30-Jun-16
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	-	-	-	-	-	-	-
2006	44,328.72	(44,328.72)	0.00	-	-	-	-
2007	42,350.90		42,617.10	42,883.30	43,149.50	43,415.70	43,681.90
2008	35,457.46		35,698.50	35,939.53	36,180.57	36,421.61	36,662.64
2009	32,277.01		32,515.88	32,754.75	32,993.61	33,232.48	33,471.35
Totals	\$ 154,414.09		\$ 110,831.48	\$ 111,577.58	\$ 112,323.68	\$ 113,069.79	\$ 113,815.89

Surcharge Balance \$ 45,763.33 \$ (44,328.72) \$ 8,595.61 \$ 15,756.61 \$ 22,917.61 \$ 30,078.61 \$ 37,239.61

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Final Supplemental Schedule 2

Lien Year	Balance Due 31-Jul-16	Payment 3	Balance Due 31-Aug-16	Balance Due 30-Sep-16	Balance Due 31-Oct-16	Balance Due 30-Nov-16	Balance Due 31-Dec-16
2004	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
2005	-		-	-	-	-	-
2006	-		-	-	-	-	-
2007	43,948.10	(43,948.10)	0.00	-	-	-	-
2008	36,903.68		37,144.72	37,385.75	37,626.79	37,867.83	38,108.86
2009	33,710.21		33,949.08	34,187.94	34,426.81	34,665.68	34,904.54
Totals	\$ 114,561.99		\$ 71,093.80	\$ 71,573.70	\$ 72,053.60	\$ 72,533.50	\$ 73,013.41

Surcharge Balance \$ 44,400.61 \$ (43,948.10) \$ 7,613.51 \$ 14,774.51 \$ 21,935.51 \$ 29,096.51 \$ 36,257.51

DETAIL OF INTEREST ACCRUAL AND SURCHARGE COLLECTION

Lien Year	Balance Due 31-Jan-17	Payment 4	Balance Due 28-Feb-17	Balance Due 31-Mar-17	Balance Due 30-Apr-17	Balance Due 31-May-17	Balance Due 30-Jun-17
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	38,349.90	(38,349.90)	-	-	-	-	-
2009	35,143.41		35,382.28	35,621.14	35,860.01	36,098.88	36,337.74
Totals	\$ 73,493.31		\$ 35,382.28	\$ 35,621.14	\$ 35,860.01	\$ 36,098.88	\$ 36,337.74

Surcharge Balance	\$ 43,418.51	\$ (38,349.90)	\$ 12,229.61	\$ 19,390.61	\$ 26,551.61	\$ 33,712.61	\$ 40,873.61
						Payment 5	(36,337.74)
						Difference	\$ 4,535.87
						Amount of Current Property Taxes due to Surcharge ¹	(4,111.34)
						Remainder	\$ 424.52

¹ This is the amount of additional current property taxes that will be due over the 32 month surcharge period as a result of the additional revenue from the surcharge.